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ABSTRACT

This paper describes current school-funding policy issues in Washington State. The first part examines how Initiative 601, an initiative aimed at curbing state taxes and spending, will create fiscal instability for school districts. Difficulties include an expected growth in school enrollment exceeding population growth, an expected growth of other mandatory programs (such as welfare), and tight state revenues. The second part describes how fiscal instability will be created in school districts by declining voter support for school property tax levies, school levy lid changes, and high thresholds for passage of school levies. The third section discusses a pilot program to limit the labeling of special education students, called "less labeling," which allows increased flexibility in special-education funding while maintaining funding support. A brief history of Washington school finance is provided in the final section, which describes court decisions that led to the passage of two pieces of state legislation: The Washington Basic Education Act of 1977, and The Levy Lid and Salary Control Act. (LMI)

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Current School Funding Policy Issues in Washington State

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Current School Funding Policy Issues in Washington State

- Fiscal Instability for School Districts Created by State Tax and Expenditure Limitation Initiative
- Fiscal Instability for School Districts Created by Declining Voter Support for School Property Tax Levies, School Levy Lid Changes, and High Threshold for Passage of School Levies
- Increased Flexibility in Special Education Funding Demonstrated by Pilot Programs to Allow Less Labelling While Maintaining Funding Support

State Tax and Expenditure Limitation Initiative

In November 1993, Washington voters approved an initiative aimed at curbing state taxes and spending. While Initiative 601 is currently undergoing judicial review, voters have given legislators a clear signal that they need to constrain the level of taxes and the costs of state government. Beginning July 1, 1995, the initiative caps the growth of state expenditures to the rate of state population growth plus inflation. Such a limitation could have a profound impact on education funding since K-12 enrollment growth is expected to far outstrip state population growth for some time to come.

K-12 education funding in Washington is set by the state legislature and is primarily enrollment-driven. In recent years, the percentage of the state's total budget allocated to K-12 education has increased from 46 percent in 1989 to 48 percent in 1994; expected increases in K-12 enrollments are likely to create pressure to further increase this percentage. Given Initiative 601's limits, the 1995 Legislature must choose among budget reductions in social services, general government, higher education, and, after redefining the state funding formula -- K-12 education. It has been estimated that even without any salary or benefit increases, growth in K-12 enrollment and inflation on K-12 supplies and materials will consume all the state's allowed expenditure increase for the 1995-1997 biennium.

In addition, many mandatory programs outside K-12 education (e.g., welfare) are likely to grow, creating additional pressure to cut existing programs. Since Washington provides over 70 percent of the revenue available to the state's school districts, the potential fiscal impact on public education is huge.

Another difficulty for state policy makers will be sustaining education reform investments during a period of tight state revenues. The legislature initiated Student Learning Improvement Grants in 1994 to provide schools an additional four days of planning time for education reform. Initiative 601 raises grave doubts about the ability of state policy makers to continue funding education

reform while maintaining current K-12 funding levels. In addition, teacher salaries have remained unchanged for two years. Failure to address teacher salary levels could generate a repeat of the 1991 state-wide teacher strike.

School Levies

State law allows school districts in Washington to place school property tax levy requests on the ballot a maximum of two times per calendar year. These requests must receive 60 percent approval to pass. In February 1994, voters in 10 of the 15 school districts in Washington's second most populous county, Pierce County, defeated the first attempt to pass school property tax levies for local maintenance and operations. In April 1994, voters in two of these 10 districts defeated a second property tax levy attempt and thereby cut these districts' general operation budgets by $7 million in 1995.

The Pierce County experience dramatizes the diminishing support among voters in some regions of the state for local school property tax levies. Besides a ten-fold increase in the amount of double levy defeats (from $5 million to approximately $50 million), a large number of districts saw their approval percentages decline significantly from previous years. This sharp drop in voter support could have occurred for a variety of reasons.

One factor could be a four percent increase in the levy lid -- the amount of revenue school districts are allowed to generate through

local school property tax levies. For most districts, the levy lid increased from 20 percent to 24 percent of the district's state and federal revenue amount. Other districts, who had historically been allowed to raise more than 20 percent in local school property tax levies, were also allowed to raise an additional four percent in local property tax revenue. A number of the school districts suffering both initial and double property tax levy defeats were attempting to raise the maximum amount allowed by the new levy lid increase.

Of additional concern to educational administrators is the current requirement that local school property tax efforts receive a minimum of 60 percent voter approval to succeed. This issue was brought to the forefront by several highly visible and successful elections -- in 1993 to build a jail in the state's most populous county and in 1994 to build a youth center in another of the state's largest counties -- which were required to meet only a 50 percent threshold of voter approval for passage. During the 1994 legislative session, educators asked the legislature to allow a constitutional amendment to be placed before the state's voters allowing schools to use the 50 percent approval standard that exists for other local government bodies rather than the 60 percent approval rate required for schools. Senate Republicans blocked the effort to place this constitutional amendment on the ballot.

Another issue undermining public support for school property tax levies may be the on-going criticism currently leveled at

Washington's K-12 public schools. Continual assertions by leading citizens that public schools are wasteful and are not preparing students to compete in the world marketplace could be diminishing the willingness of voters to approve school tax measures.

Finally, the biennial school property tax elections are among the few opportunities citizens have to directly decide tax rates. Decisions to raise and lower income and sales taxes are generally made by elected representatives in Congress and in the state legislature. Locally elected public officials set the tax rates needed to support police and fire protection, as well as other services such as the port authority. Therefore, voters are able to express their growing discontent with tax levels only through indirect means (e.g., Congressional, legislative, and city council elections, Initiative 601). School property tax elections, though, provide a unique opportunity to directly vote on a government's level of taxation. The spillover from the public's resentment of tax rates set to support other public entities may play a role in defeating school property tax issues in Washington.

Less Labelling

In an attempt to limit the labelling of special education students, the 1994 legislature extended and expanded a pilot project known as "less labelling." The program guarantees funding for four percent of a school district's enrollment as Specific Learning Disabled (SLD), regardless the number of identified SLD students.

To be eligible for addition to this project, a district must currently identify four or more percentage of its enrollment as SLD. The current special education funding formula provides a disincentive to identifying SLD populations above four percent since per pupil support levels decrease when the percentage of students identified as SLD rises above this level. The expanded program seeks to allow these districts to avoid this penalty and divert the estimated $400 to $900 per pupil they currently spend to determine SLD eligibility into direct services.

These pilot districts have addressed concerns about possible denial of benefits to students who do not receive the handicapped label by performing eligibility testing on any student when requested by parents or staff. In return for "less labelling", pilot districts report that (1) students who would not have met state eligibility criteria receive needed services, while (2) eligible, or likely to be eligible, students receive more services due to lower identification costs. This pilot program reflects an increasing interest by Washington's policy makers in exploring the possibility of "no labelling" with school districts receiving all special education (and possibly all categorical) funding without expensive eligibility testing.

School Finance History

A series of three court decisions in the late 1970s and early 1980s are very influential in setting the constraints within which

Washington's school funding system must operate. The first of these court decisions was issued in January 1977. In response to a suit filed against the state by the Seattle School District, Judge Robert Doran established four school funding requirements:

> (1) The State's duty to provide ample education for all children is paramount; that is supreme, preeminent, or dominant. It takes precedence over all other obligations facing the State and the Legislature.
>
> (2) The Legislature must define "basic education" and, as a first priority, must make ample provision for funding such a program of education. Funding must be accomplished by means of regular and dependable tax sources and cannot be dependent on special excess levies.
>
> (3) The State's duty goes beyond basic academic subjects. It also embraces broad educational opportunities needed to equip our children for their role as citizens and as potential competitors in today's market as well as in the market place of ideas.
>
> (4) The Legislature may authorize the use of special levies to fund programs, activities, and support services which the State is not required to fund.

Following this decision, the Washington Legislature put into place two pieces of legislation: (a) The Washington Basic Education Act of

1977, which defined basic education in terms of goals, educational programs, and the distribution of funds; and (b) The Levy Lid and Salary Control Act that sought to limit the amount of revenue school districts could raise through local taxation and the salaries school districts could pay to school employees. Except for some relatively marginal tinkering, most of which have focused on creating exceptions to the levy lid and to teacher salary controls, the funding system developed in 1977 remains in place today.